

CHAPTER 1

1. PURPOSE OF AND NEED FOR ACTION

1.1. Purpose

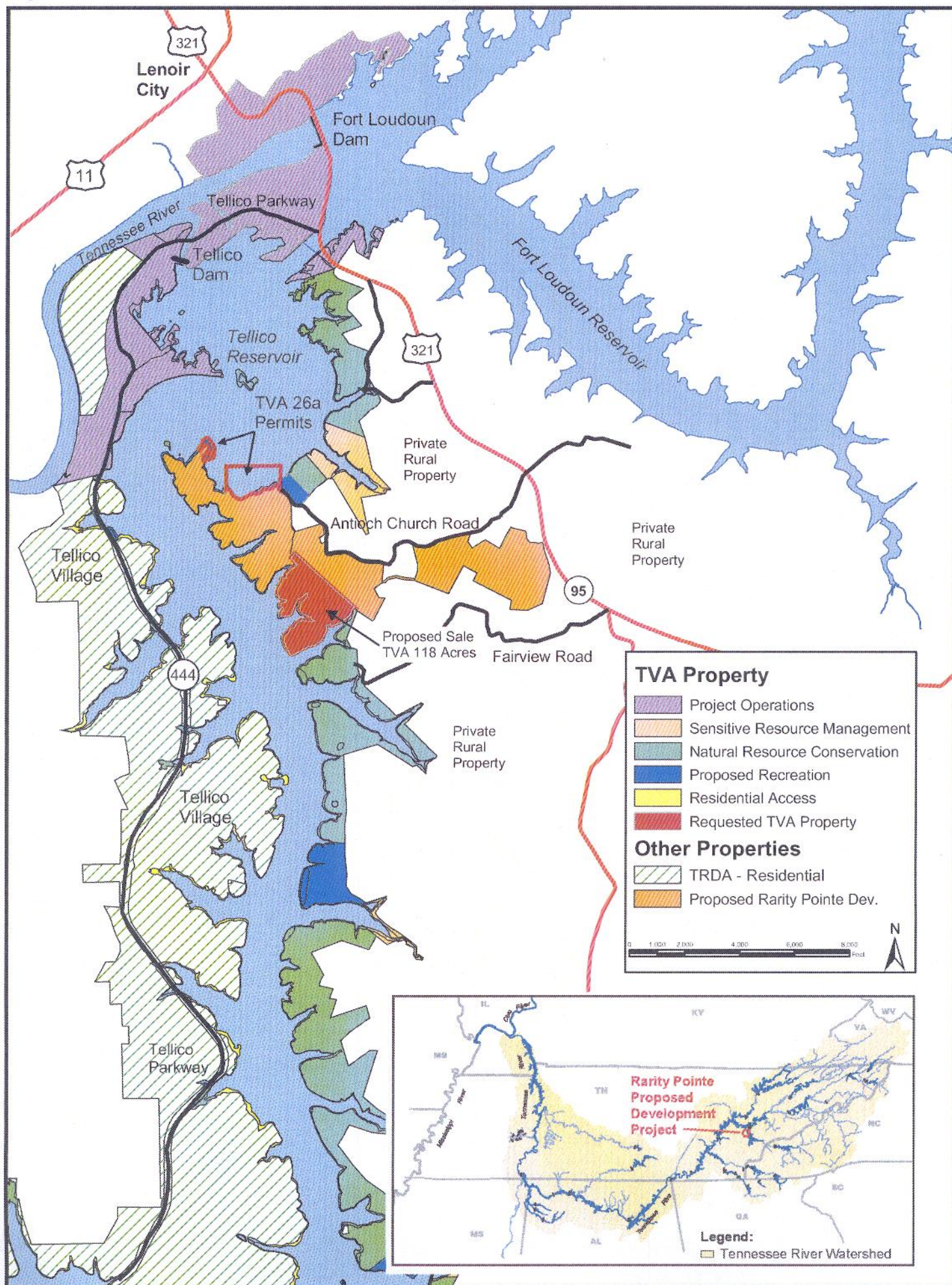
Consistent with its broad mandate to provide for the economic development and social welfare of the Tennessee Valley region, the Tennessee Valley Authority (TVA) has decided to consider a request for use of public land on Tellico Reservoir for enhancement of a commercial recreation and residential development. This request has been proposed by private developers (LTR Properties, Inc. and Rarity Communities, Inc.) (Rarity Communities) on the Tellico Reservoir in East Tennessee (Loudon County). TVA has been asked to take three actions related to the Rarity Pointe development: (1) the applicant's request to release the planned use allocation of approximately 118 acres of federal property above the 820-foot elevation on the Tellico Reservation and make it available for sale and consequently use in constructing a residential resort and golf course community, (2) the applicant's request for approval of the use of about 5 acres of TVA property, below the 820-foot elevation, and lying between the former TRDA property and Tellico Reservoir, for a small (par-3) golf course, and (3) the applicant's request that TVA approve plans for a marina and dredge with 349 wet and 200 dry storage boat slips using 4 acres of TVA land below the 820-foot elevation.

The TVA property would be added to 85.8 hectares (216 acres) of land purchased by Rarity Communities from the Tellico Reservoir Development Agency (TRDA), and 119.0 hectares (294 acres) of private land. With the proposed TVA property and the property already controlled by the Applicant, the total acreage involved is approximately 657 acres. This EIS evaluates not only the impacts associated with the proposed TVA actions but also the impacts associated with development of the non-TVA property that collectively make up the Rarity Pointe project as currently contemplated by the developers.

The site is located approximately 5 miles east of Lenoir City, Tennessee, and approximately 7 miles west of Maryville, Tennessee, on U. S. Highway 321 in Loudon County (See Figure 1-1). Rarity Communities states that the site has the advantages of proximity to I-75 and I-40, easy access to local area residents, and is approximately 15 minutes driving distance or 11.5 miles from Knoxville. Also, the site is centrally located in the nine county Knoxville Metropolitan Statistical Area (MSA) with an approximate 30-minute drive to all major area services and attractions including major healthcare, air transportation, and shopping. Additionally, the Knoxville MSA is positioned within 500 miles of more than 113 major cities comprising nearly 50 percent of the current U.S. population. A Rarity Communities visitor inquiry analysis suggests the demand for a second home and resort/rental opportunity with adjacent marina services is escalating. Finally, the area continues to attract the interest of active adult retirees as evidenced by the success of developments such as Tellico Village, Foothills Point, and Rarity Bay, also located on the Tellico Reservoir.

Rarity Communities plans to develop 677 residential units on private and TVA land, 523 recreational lodging units on the former TRDA land, a lodge complex, a small par-3 golf course, a larger 18-hole golf course, a full service marina, a retail complex, and supporting recreational infrastructure. Because this request supports regional development goals and

Figure 1-1 Tellico Reservoir and Vicinity



the original Tellico Project purposes of economic development, TVA decided to evaluate the proposal. The Tennessee Valley Authority (TVA) has prepared an Environmental Impact Statement (EIS) to assess the impacts of a request for land under TVA's control and approval of water use facilities under Section 26a of the TVA Act on TVA's Tellico Reservoir.

The marina proposed by Rarity Communities may be developed by Tellico Loy Venture, independent of the Rarity Communities' proposal. Because of the uncertainties over the relationship between the marina and the Rarity Communities proposal, TVA has decided to continue to evaluate the marina as part of the Rarity Communities' proposal. Tellico Loy Venture has provided more detailed plans for the proposed full service Marina, than appeared in the DEIS, and applied to TVA for approval under Section 26a and the USACE under Section 404 and Section 10. The proposed marina would include 329 floating covered boat slips, 20 open slips for rental boats, 200 dry storage spaces for boats, a fuel facility, a floating restaurant, store and office area, and parking for 165 cars. Also included in the plans are 650 feet of shoreline stabilization and dredging to along the shoreline adjacent to the marina.

This EIS tiers from TVA's Final EIS, *Tellico Reservoir Land Management Plan*, released in June 2000. The Tellico Reservoir Land Management Plan EIS (2000 Land Plan) evaluated alternative uses of the TVA lands and their influence on the surrounding environment. It identifies uses for 139 parcels of TVA public land on the reservoir. It designates parcels into planned use zones for TVA Project Operations (Zone 2), Sensitive Resource Management (Zone 3), Natural Resource Conservation (Zone 4), Industrial/Commercial Development (Zone 5), Recreation (Zone 6), and Residential Access (Zone 7). The Rarity Communities proposal involves Parcels 8 and 9 and use of TVA land below the 820-foot contour adjacent to Lower Jackson Bend.

Parcel 8 with 18.9 hectares (46.7 acres) is allocated for Zone 6 and is available for recreation including informal recreation such as picnicking and hiking. Parcel 9 with the remaining 28.9 hectares (71.4 acres) is allocated for Zone 4, natural resource conservation. Neither of these parcels is allocated for commercial recreation or residential development and Rarity Communities proposal is inconsistent with the 2000 Land Plan.

While TVA was evaluating the Rarity Communities' proposal, TVA received a proposal from the Watershed Association for Tellico Reservoir (WATeR) to construct a greenway and trail on the east side of Tellico Reservoir on TVA public land, including Parcels 8 and 9. The proposal is similar to elements described in the 2000 Land Plan and would have a trailhead (i.e. access, shelter, and parking lot) on TVA land in the vicinity of Rarity Pointe and a greenway trail utilizing Parcels 8 and 9 including the requested approximately 118 acres. However, WATeR has agreed to consider other sites on the Tellico Reservoir first and TVA is deferring consideration of the WATeR proposal for the TVA land involved in the proposed action (Parcels 6, 8, and 9) pending review of the Rarity Communities' proposal.

1.2. Background

The Tellico Project, once known as the "Fort Loudoun Extension," was first considered by TVA in the late 1930s. It consists of the Tellico Reservoir and the adjacent lands purchased by TVA (TVA, 1972). Tellico Dam and reservoir is a multipurpose water resource project designed for flood control, power production, and commercial navigation. Although Tellico Dam has no hydroelectric facilities, the project was designed to enhance

the hydroelectric output from TVA's Fort Loudon Dam by construction of a canal which connects the two reservoirs. The Tellico Project is also a regional economic development project with land designated for industrial, residential, commercial recreation, and greenbelt purposes.

The majority of the reservoir's lower right bank was designated as a greenbelt (TVA, 1972) and it was anticipated that private recreational development, involving resorts, marinas, camping areas, and supporting commercial services and accommodations would occur along the upper parts of the reservoir. The majority of the left bank below U. S. Highway 411 Bridge was designated for residential development, and other tracts around the reservoir were allocated for complimentary land uses.

The project was formally begun in 1967 and was controversial, at first because of land condemnation and then because of environmental issues. Consistent with the National Environmental Policy Act (NEPA) of 1969, an EIS was prepared (TVA, 1972) to identify the environmental impacts of finishing and closing the dam. As the dam neared completion in 1975-6, TVA was enjoined (stopped) from closing the dam because of potential impacts to a newly discovered fish, the snail darter (*Percina tanasi*), which was then known to occur only in this particular reach of the Little Tennessee River within the proposed reservoir and was listed as an endangered species under the Endangered Species Act (ESA).

In 1979, Congress exempted implementation of the project from all otherwise applicable environmental laws. In November 1979, the gates of Tellico Dam were closed, and implementation of the elements of this multipurpose reservoir project began. TVA has continued to conduct NEPA reviews of Tellico Project-related economic proposals as a matter of policy. A recovery plan for the snail darter implemented by TVA (TVA, 1978) was successful resulting in establishing or discovery of several populations of snail darters in the upper Tennessee River watershed. The snail darter now listed as a threatened species under ESA may soon be eligible to be considered for removal from the threatened and endangered species list.

In April 1982, the Tellico Reservoir Development Agency (TRDA) was created by the Tennessee Legislature to assist TVA in the development of the 11,151 acres of the land designated for development as part of the Tellico Project. TRDA is a public corporation with a mandate to plan programs and implement activities for the comprehensive development of the land sold and easements conveyed to it by TVA. TRDA's management, use, development, and conveyance of these lands are governed in part by a 1982 agreement (Contract No. TV-60000A) with TVA. Major objectives of the Tellico Project, reflected in the integrated land plan included in Contract No. TV-60000A and the project EIS, were to develop and use the acquired lands that surround the reservoir in a way that would permit the project to make the maximum possible contribution to the economy of the region and provide recreation opportunities.

Approximately 37,737 acres of land were purchased for the Tellico project (TVA, 2000). Of that, 13,943 acres are normally covered by water during the summer, resulting in a reservoir pool with 360.8 miles of shoreline. The balance of the acquired Tellico Project lands are used or designated for industrial, residential, and commercial recreation purposes (11,151 acres) under an agreement with the Tellico Reservoir Development Agency; or remain under TVA's direct control (12,643 acres) and are managed under the 2000 Land Plan.

Since its creation, TRDA has been successful in the creation of several quality residential communities and industrial parks. This has resulted in the majority of the land designated for development by TRDA being sold to private ownership. This includes the establishment of the Rarity Bay Community on the Bat Creek Peninsula where the land use allocation was changed from industrial to residential (TVA, 1992).

TVA and TRDA previously received a development proposal from the private sector asking to use the Lower Jackson Bend TRDA controlled property allocated for commercial recreation together with TVA Tellico reservation property, including the subject 118 acre tract, now requested by Rarity Communities. This earlier proposal was withdrawn in 2000 after TVA ceased considering it.

Until recently, a marina operated on the former TRDA property on Lower Jackson Bend. Although harbor limits were established to contain slips for several hundred boats, only 68 slips were requested and built by the marina operator after approval by TVA. The marina closed in 2001 and all structures and facilities were removed when the property was sold.

1.3. Permits and Approvals Needed

TVA has been requested to make approximately 118 acres of its property available for sale to a private developer, to allow use of an additional 5 acres of property below the 820-foot elevation for a par-3 golf course fronting land previously sold for commercial recreation, and to issue Section 26a approval for a full service marina with dredge using 4 acres of TVA property below the 820-foot elevation. The TVA property would be added to 216 acres of land purchased by Rarity Communities from TRDA, and 323 acres of private land.

Approval for proposed marina and wetland alteration would also be needed from the U. S. Army Corps of Engineers (USACE) under Section 10 of the Rivers and Harbors Act of 1899, which prohibits the alteration or obstruction of any navigable waters of the United States unless authorized by USACE; and under Section 404 of the Clean Water Act which prohibits the discharge of dredged or fill material into waters of the United States without permission from USACE. The marina with dredge and wetland alteration proposal will be reviewed by USACE. Approval will be given only after full public interest review and determination that the proposal is not contrary to public interest.

If an alternative was selected involving the replacement of TVA land transferred to Rarity Communities by TRDA land on Tellico Reservoir, TRDA would have to agree to make property available to be purchased by Rarity Communities and transferred to TVA.

Because of their involvement USACE and TRDA have chosen to become cooperating agencies in this EIS.

1.4. Other Pertinent Environmental Reviews or Documentation

Change in Land Use Designation to Allow Residential Development of the Bat Creek Peninsula (TVA, 1994). TVA completed an Environmental Assessment (EA) on the potential environmental impacts of a TRDA proposal to change the land use designation of the 1060-acre Bat Creek Peninsula from Industrial to Residential. TVA approved the land use change, with the requirement that Rarity Communities implement several mitigation measures to minimize potential environmental impacts. The area is now the Rarity Bay development and is similar to the Rarity Pointe request.

Shoreline Management Initiative, December 1998 and Record of Decision (ROD), Shoreline Management Initiative (SMI), TVA, 1999. Under this EIS, TVA adapted a strategy of “maintaining and gaining” public shoreline, a shoreline inventory and categorization system, and uniform standards for residential shoreline alterations. The Rarity Pointe proposal is not considered to be residential access shoreline under SMI because residential access is not proposed. However, the philosophy behind potential mitigation for the proposed loss of public land is compatible with the “maintain and gain” strategy.

Tellico Reservoir Land Management Plan and ROD (June 2000). The Tellico Reservoir Land Management Plan EIS evaluated alternative uses of the TVA lands and their influence on the surrounding environment. The Plan provided a statement of how TVA would manage its land in the future. It identifies allocations that will guide uses for 139 parcels of TVA public land on the reservoir, including the parcels requested here.

U.S. 321 (State Route 73) from 0.32 km West of U.S. 11 (State Route 2) to the Existing Four-Lane Section Near the Blount County Line, (In preparation March 2003). The Federal Highway Administration has prepared an Environmental Assessment to analyze a proposal to construct a new Tennessee River bridge across the Tellico Dam Reservation and to provide four-lane access between Maryville and Interstate 40 in the vicinity of Tellico Reservoir. TVA is a cooperating agency in the review by the Federal Highway Administration and Tennessee Department of Transportation. This new four-lane highway will be the primary access to the Rarity Pointe development. However highway improvements would likely proceed whether or not the Rarity Communities development was constructed. Until the new highway is constructed access would be from the existing U.S. Highway 321.

Tellico Land Reservoir Land Management Plan Memorandum of Agreement (MOA) was executed in 2000 to address effects on historic properties by TVA’s undertakings on Tellico Reservoir. This agreement allows for a phased identification, evaluation, and treatment of historic properties. TVA ensures that identification, evaluation, and treatment of historic properties are carried out prior to the commencement of any ground-disturbing activities.

1.5. The Scoping Process

As part of the EIS process, TVA seeks public comment on the scope of the issues and alternatives to be addressed in the EIS. This is a normal and typical feature of all EIS review processes.

TVA began the NEPA review for the proposed action on Tellico Reservoir after receiving Rarity Communities’ request in May 2002. On June 24, 2002, TVA issued a Notice of Intent (NOI) to prepare an Environmental Assessment (EA) or EIS on the Rarity Pointe proposal. Comments were received by letter, e-mail, and at a TVA public scoping meeting held on July 26, 2002 in Loudon, Tennessee (See Appendix B). In response to public requests, TVA extended the comment period until August 16, 2002. In addition, from July to September, TVA met with or participated in meetings with several local groups of interested people such as property owners, homeowners, and lake users associations. In response to comments and concerns raised during this process, TVA decided to prepare this EIS to understand the impacts of its proposed actions and the actions of Rarity Communities better and to provide a structured means of continuing the dialogue with the public about the proposal.

The following scoping activities were undertaken to identify issues and define alternatives to be considered in the EIS:

June 24, 2002 - A Notice of Intent was published in the *Federal Register* to initiate scoping of the proposal.

July 16, 2002 - A Public Open House Meeting held at Loudon City High School, Loudon, Tennessee, recorded over 400 people attending.

July 18, 2002 - A Revised Notice of Intent was published in the *Federal Register* extending the scoping comment period to August 16, 2002.

July 22, 2002 - TVA Staff participated on a question and answer panel at a public meeting organized by the Tellico Village Property Owners Association at Tellico Village Community Church in Tellico Village, Tennessee, with over 335 people attending.

August 16, 2002 - The scoping comment period concluded with over 500 comments, letters, and e-mails on the proposal.

September 6, 2002 - TVA Staff and Management met with representatives from the Tellico Property Owners Association (TPOA), Tellico Home Owners Association (THOA), Loudon County Commission, and WATeR, at the TVA Towers in Knoxville, Tennessee about the proposal.

September 11, 2002 - TVA Staff met with the Trails sub-committee of WATeR, in Lenoir City, Tennessee about the proposal.

September 19, 2002 - TVA Staff met with representatives from TPOA, THOA, Loudon County Commission, and the WATeR, at the TPOA office in Tellico Village, Tennessee about the proposal.

The majority of the over 500 public responses to the NOI focused on opposition to using public lands for private residential and commercial development and the associated environmental impacts such as the loss of visual and recreation opportunities and terrestrial habitat that could occur (See Appendix B). Many comments were received expressing concerns about the lack of public infrastructure to support the proposal, water quality, terrestrial and aquatic ecology. Also questioned was the economic need of the proposal given the success of similar past projects.

There were also many comments about TVA's management of public lands, the planning for the management and use of public lands, and the potential results of TVA's management and planning. Commenters stated that selling the land is contrary to public opinion and contrary to past TVA decisions not to develop this public land. They stated that TVA should keep this land public and not modify the 2000 Tellico Reservoir Land Management (10 year) Plan. Commenters were concerned that other public lands similarly designated would also be made available for development. They said that if TVA changed the allocation and sold the land, it would be a precedent setting change in that this land had been designated as undeveloped public land since Tellico Reservoir was created, including two previous TVA plans and the TVA contract with TRDA.

The public responses in support of the proposal described the project as having a positive impact to the area economy. Commenters cited increases in the local economy, land values, jobs, and taxes available for local government as positive results.

1.5.1. Important Environmental Issues to Be Addressed In Detail

Based on review of the scoping comments and available information about potentially impacted resources, TVA identified the following resources and issues for detailed evaluation in the EIS (See Appendix B). For each resource, the direct, indirect, and cumulative effects of each alternative have been analyzed.

Terrestrial Ecology

Ecosystems and broad natural community types found within the affected area have been described. Important natural features, including rare species habitat, important wildlife habitat, or locally uncommon natural community types have been identified. The effects of each alternative on terrestrial ecosystems in the vicinity of the Rarity Pointe project have been evaluated (Section 3.1 and 4.1).

Aquatic Ecology

Aquatic biological resources potentially affected by the Rarity Pointe project and identified alternatives have been identified. The effects of each alternative on aquatic habitat have also been analyzed (Sections 3.2 and 4.2).

Endangered and Threatened Species

Populations of state- or federally-listed plants and animals known to exist in the vicinity of the Rarity Pointe project have been identified. In addition, any areas proposed for development that may provide endangered species habitat have been surveyed to determine if any populations exist. The effects of each alternative on endangered, threatened, and rare species in need of management have been evaluated (Sections 3.3 and 4.3).

Water Quality

Current water quality and activities contributing to Tellico Reservoir that are affecting water quality have been described. Affected aquatic ecological conditions have also been identified. The impact of each alternative may affect water quality, and the trends in reservoir water quality have been analyzed (Sections 3.4 and 4.4).

Wetlands and Floodplains

Wetlands and floodplains found within the affected area have been located and described. The effects of each alternative on any floodplain or wetland ecosystems within the Rarity Pointe project area have been evaluated (Sections 3.5 and 4.5).

Recreation

Several issues were identified during scoping, including the sale of public land for a private development, boating congestion, public access to commercial property, and the loss of recreation/open space on TVA public land. These issues have been addressed and the effects of each alternative on recreation opportunities impacted by the Rarity Pointe proposal have been evaluated, including the impacts to the greenway designations (Sections 3.6 and 4.6).

Cultural Resources

Archaeological and historic resources in the Rarity Pointe project area of potential effect have been characterized, and any known National Register sites discussed. Both property under TVA's control as well as Rarity Communities' property over which TVA lacks control have been surveyed to determine if any potential National Register-eligible resources are present. The effect of each alternative on historic and archaeological resources has been evaluated, and the impacts of the proposal coordinated with the Tennessee State Historic Preservation Officer (SHPO) in accordance with Section 106 of the National Historic Preservation Act (Sections 3.7 and 4.7).

Visual Resources

The aesthetic setting of the area has been characterized as scenic and distinctive. Both Parcels 8 and 9 were identified in the recent Tellico Land Plan as having important visual concerns and viewsheds with excellent scenery and distinct visual qualities. The effect of each alternative on the aesthetics and visual resources along the shoreline has been evaluated (Sections 3.8 and 4.8).

Socioeconomic Impacts

The current population, labor force, employment statistics, income, and property values potentially impacted by the proposal and the identified alternatives have been evaluated. Potential impacts on traffic, infrastructure and facilities, population, taxes, local communities, and environmental justice have been addressed for each alternative. Because Rarity Communities is proceeding with its plans on the property it controls whether or not TVA approves its requests, this analysis will show the incremental socioeconomic effects between the full and scaled-back development approaches (Sections 3.9 and 4.9).

Air Quality

The Rarity Pointe project is expected to have minor impacts to air quality. The effects of each alternative on air quality have also been analyzed (Sections 3.10 and 4.10).

1.5.2. Probable Non-Significant Environmental Issues

The following environmental issues were identified in scoping but have not been addressed in detail in the EIS because the resources involved are not present or not likely to be affected by the proposed alternatives. There are no prime farmlands or managed recreation areas present on the site. Commercial navigation is present on the Tellico Reservoir but is so infrequent that it is not likely to be impacted. In addition, noise and litter will only have very minor localized impacts.

1.5.3. Responses to Comments on the DEIS

Following release of the DEIS, TVA held an information meeting at Loudon, Tennessee on April 10, 2003 where 95 people attended. Comments were received at that meeting and in writing through May 12, 2003. Approximately 112 sets of written and oral comments were received from 99 individuals, 4 organizations, and 6 interested agencies. TVA has reviewed all of the comments. More than half of the comments received on the DEIS had non environmental themes such as, alternative selection, land use plans and policy, the NEPA process, public and private land, and trust in TVA. The character of these comments was very similar to those previously provided by the public during scoping. The rest of comments on the DEIS raised questions and provided comments on all of the identified environmental issues except for air quality. These comments were primarily concerned with impacts to the environment such as socioeconomic concerns, recreation for Tellico

*Rarity Pointe Commercial Recreation and
Residential Development on Tellico Reservoir*

Reservoir and the proposed resort, and impacts to wildlife, plants, visual resources, water quality, wetlands, and floodplains. In response to these comments, TVA revised the EIS to clarify issues raised. A complete record of comments received and TVA responses is included in Appendix B.